

2010

Joint Legislative Audit Committee: 2009-10 End of Session Report

Joint Legislative Audit Committee

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Joint Legislative Audit Committee

2009-10 End of Session Report



Assemblymember Alyson L. Huber
Chair

Senator Roy Ashburn
Vice Chair

Assemblymembers

Joe Coto
Chuck DeVore
Noreen Evans
Curt Hagman
Bill Monning
Chris Norby

Senators

Elaine Alquist
Dave Cogdill
Denise Moreno Ducheny
Robert D. Dutton
Alex Padilla
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JOINT LEGISLATIVE AUDIT COMMITTEE

2009-10 END OF SESSION REPORT

Assemblymember Alyson L. Huber, Chair
Senator Roy Ashburn, Vice Chair

Assembly Members

Joe Coto
Chuck DeVore
Noreen Evans
Curt Hagman
Bill Monning
Chris Norby

Senate Members

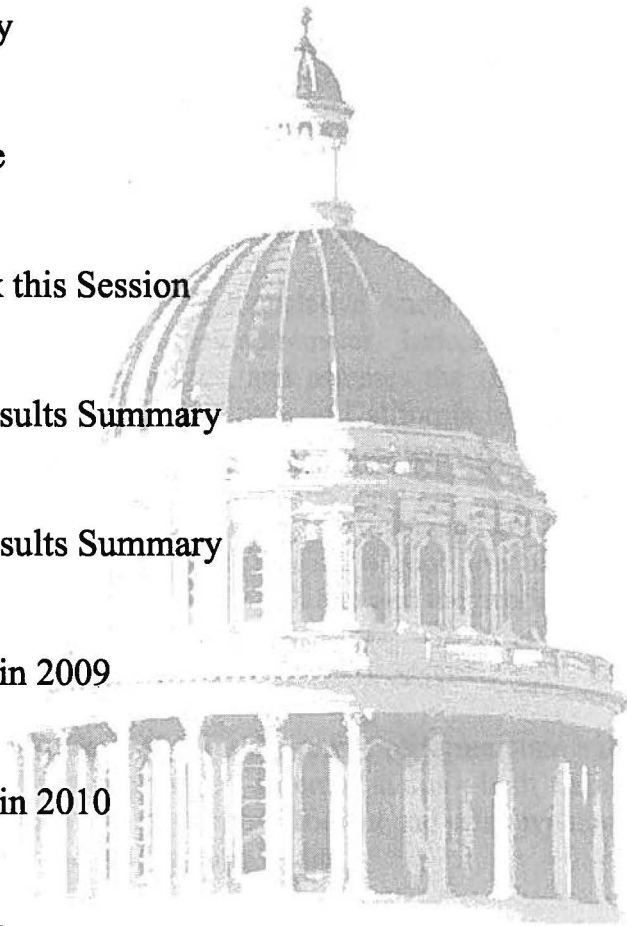
Elaine Alquist
Dave Cogdill
Denise Ducheny
Robert Dutton
Alex Padilla
Lois Wolk

Staff

Cameron Valderrama, Chief Consultant
Katarina Tarr, Committee Secretary

JOINT LEGISLATIVE AUDIT COMMITTEE 2009-10 END OF SESSION REPORT TABLE OF CONTENTS

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JOINT LEGISLATIVE AUDIT COMMITTEE

2009-10 End of Session Report

JOINT LEGISLATIVE AUDIT COMMITTEE'S LEGISLATIVE ROLE

Created by statute in 1956, the Joint Legislative Audit Committee (JLAC) oversees the work of State agencies and the programs they administer. Independently and through the State Auditor, JLAC investigates, studies, analyzes, and assesses the financial practices and performance of governmental and publicly created entities in California to ensure programs are achieving their legislative intent. The ultimate goal of JLAC is to improve government performance.

JLAC reviews audit requests from any of the 120 members of the Legislature, and establishes priorities by approving audit requests that are a good use of State Auditor resources and will provide important information to the Legislature and the people of California.

Role of the Bureau of State Audits

The Bureau of State Audits (BSA) is the only California state agency statutorily authorized to perform independent and nonpartisan external audits—both financial and performance-based. These audits are intended to promote the efficient and effective management of public funds and programs. JLAC staff does not perform audits.

The State Auditor must conduct any audit requested by JLAC to the extent that funding is available. State law precludes the State Auditor or any of her staff from discussing or disclosing any aspect of the audit, including the audit approach or potential findings, until it is released publicly. All of the State Auditor's reports are transmitted within 24 hours of completion to the public, the Legislature, appropriate committees, and the Governor.

BSA reports are available at www.bsa.ca.gov.

The BSA performs both *mandated and discretionary* audits of state and local governments.

Mandated audits are required by statute, such as the State's annual fiscal audit, and are at times required in annual budget bill and trailer bills. Mandated audits are the highest priority for the Bureau of State Audits. At present approximately 64 percent of BSA's time is consumed by mandated audits. Any legislation mandating an audit requires either an appropriation to fund the estimated cost of the audit (Joint Rule 37.4) or a waiver by the JLAC Chair if the estimated cost is under \$100,000 (Joint Rule 37.5).

Discretionary audits are requested by members of the Legislature through JLAC. Resources for discretionary audits vary, but at present approximately 36 percent of the BSA's audit resources are devoted to discretionary audits. This equates to approximately 25 audits per year, depending on their complexity.

There are two types of discretionary audits –*performance and financial*. Both performance and financial audits can address compliance issues, which include determining whether an entity or program is complying with applicable laws and regulations.

Performance audits are independent, objective assessments by the BSA of the performance of a government organization, program, activity or function in order to provide information to improve public accountability and facilitate decision-making.

Financial statement audits provide reasonable assurance that a governmental entity's financial statements accurately present its financial position in accordance with generally accepted accounting principles. *Financial-related audits* determine whether an entity has adhered to specific financial compliance requirements and whether the entity's internal control structure for financial reporting or safeguarding assets are sufficient.

JLAC'S AUTHORITY

JLAC derives its authority from statute, the Joint Rules of the Legislature, and the California Constitution (see page 15). In addition to approving discretionary audits for State Auditor evaluation, JLAC enjoys the authority to examine the performance and the financial affairs of any and all existing public entities in the State and to conduct hearings at any time and at any place in the State without restrictions.

JLAC'S STRUCTURE

JLAC was crafted to be non-partisan and continues to fiercely guard its non-partisan tradition. JLAC is composed of seven Assemblymembers and seven Senators. By statute, the Chair of JLAC is elected and serves until the position becomes vacant. A vacancy may occur upon the non-reelection to office of a JLAC member.

COMMITTEE WORK THIS SESSION

During the 2009-10 Legislative Session, JLAC conducted seven regular hearings and heard 33 audit requests. The committee approved 28 of those requests and denied 5. (See pages 5-7 for lists of the approved audit requests.)

Additionally, JLAC also held six informational hearings, with one hearing including two other Assembly Committees. Those hearings are as follows:

1. California's involvement in ensuring that federal economic stimulus funds are utilized with the utmost transparency and accountability, hearing held on July 1, 2009.

Inspector General, Laura Chick was invited to the hearing to discuss:

- How JLAC and State Auditor can work with the Inspector General's office to protect the integrity and accountability of the expenditure of the Federal American Recovery and Reinvestment Act of 2009 funds in California by preventing and detecting fraud, waste, and misconduct in the use of those funds.
- What the administration is doing to ensure corrective actions are taken on identified numerous internal control and compliance deficiencies related to state agencies' administration of federal programs previously identified through the Statewide Single Audit.

Also, representatives from the Department of Education were invited to discuss:

- Compliance and Internal Control Deficiencies within the Department.
- The Department's plan for corrective action on the Compliance and Internal Control Deficiencies identified by the State Auditor in report # 2008-0 issued in May 2009.
- Specifically discuss corrective action related to the cash management issue.
- How the Department plans to comply with Federal American Recovery and Reinvestment Act of 2009 requirements since the Department is scheduled to receive large sums of Federal American Recovery and Reinvestment Act of 2009 funds and they continue to have problems administering federal funds.

2. American Reinvestment and Recovery Act (ARRA): A Review of the State Auditor's Compliance Reports, hearing held on January 20, 2010.

- Elaine Howle, State Auditor, Laura Chick, Inspector General, Cynthia Bryant, Director, California Recovery Task Force, and Herb Schultz, Incoming Director, California Recovery Task Force were invited to discuss ARRA oversight.
- Jim Butler, Chief Procurement Officer, Department of General Services and Karen Douglas, Chairman, California Energy Commission were invited to discuss the State Implementation of energy related ARRA funds.

3. Achievable Budget Savings by Implementing the State Auditor's Recommendations, hearing held on March 24, 2010

- Elaine Howle, State Auditor, was invited to discuss Audit Report 2010 -406 *Implementations of State Auditor's Recommendations*

Several other State Agencies were invited to discuss the Status of Implementation:

- Char Lee Metsker, Deputy Director, Welfare to Work Division was invited to discuss Audit Report 2009-101 *Department of Social Services*

- Pillar Williams, Chief, Pharmacy Benefits, and Luis Rico, Chief, Systems of Care, and Barbara Bailey, Chief, Medi-Cal Benefits Waivers Analysis & Rates were invited to discuss Audit Reports : 2002-118, 2003-114, 2006-035, 2007-122 *Department of Health Care Services*
- Darby Kernan, Assistant Secretary, Legislation was invited to discuss Department of Corrections and Rehabilitation Audit Report 2002-101 *Investigations into Personnel Practices*

4. Statewide Implementation of the American Recovery and Reinvestment Act (ARRA), hearing held June 9, 2010.

- Elaine Howle, State Auditor, Laura Chick, Inspector General, Rick Rice, Director, California Recovery Task Force were invited to discuss ARRA Oversight.

Several other State Agencies were invited to discuss Audit Report 2009-119 *Status of ARRA Implementation*

- Karen Douglas, Chair, California Energy Commission (2009-119.1)
- Cliff Allenby, Director, Department of Community Services and Development (2009-119.2)
- Brendan Murphy, Deputy Director, California Emergency Management Agency (2009-119.4)

5. Joint Oversight Hearing: Local Government Transparency & Compensation, hearing held on September 22, 2010.

The Joint Legislative Audit Committee, the Assembly Committee on Local Government, and the Assembly Committee on Accountability & Administrative Review.

- Elaine Howle was invited to give an overview of audit work regarding public employee compensation and best practices and recommendations for increased transparency.
- John Hiber, Chief Operating Officer and George Lolas, Assistant Chief, Division of Accounting and Reporting from the California State Controller's Office were invited to discuss reporting city and county compensation and recommended disclosure requirements
- Bruce Reeves, Deputy Attorney General from the California Attorney General's Office was invited to discuss legislative proposals for increased transparency and the Brown Act violations and principles of open government
- Ken Pulskamp, League of California Cities, Wade G. McKinney, President, California City Management Foundation, and Nancy Nittler, California State Association of Counties were invited to give local government perspectives.

6. Division of Juvenile Justice, hearing held Thursday, November 4, 2010.

- Drew Soderborg, Senior Fiscal and Policy Analyst from Legislative Analysts Office was invited to give an overview of California Youth Correctional Facilities and the status of compliance with *Farrell v. Cate*
- Scott Kernan, Undersecretary, and Rachael Rios, Chief Deputy Secretary of the Division of Juvenile Justice, in the California Department of Corrections and Rehabilitation were invited to discuss process and procedures for closure of youth correctional facilities and the status of compliance with *Farrell v. Cate*

Hearing Results Summary 2009

- 2009-101 **County Welfare Fraud System (Beall)**
Audit the information relating to how the county welfare fraud system works, the cost breakdown of fraud efforts, and information regarding the results for those efforts.
March 11, 2009 hearing: Request approved 8-4
- 2009-103 **Department of Health Care Services and Public Health – Contracting Practices (Hernandez and Eng)**
Audit to examine the use of Information Technology consulting and personal services contracts.
March 11, 2009 hearing: Request approved 11-1
- 2009-105 **Agricultural Relations Board (Caballero)**
Audit would have focused on the effectiveness of Board's enforcement of agricultural labor relation's laws, particularly as they relate to protecting farm workers.
July 1, 2009: Request failed 2-9
- 2009-106 **California High Speed Rail Authority (Lowenthal and Huff)**
Audit to assess the Authority's readiness to manage the billions of dollars in general obligation bonds the voters authorized in November 2008.
May 27, 2009: Request approved 10-0
- 2009-107 **California Department of Corrections and Rehabilitation (Monning)**
Audit of the rapidly increasing inmate population within CDCR and its impact on the state budget.
March 11, 2009: Request approved 8-2
- 2009-108 **Department of Veterans Affairs (Salas)**
Audit to determine whether the needs of California's veterans are being effectively and efficiently addressed.
March 11, 2009: Request approved 12-0
- 2009-109 **California Family Court System (Leno, et al.)**
Audit the use of court appointees in child custody disputes.
July 1, 2009: Request approved 12-0
- 2009-110 **Department of Corrections and Rehabilitation – Rehabilitation Programs (Torrico)**
Audit would have focused on the amount spent on rehabilitative programs as well as their effectiveness.
July 1, 2009: Request received no motion, no vote was taken

- 2009-112 **Medi-Cal Treatment Authorization Process (Lieu and Beall)**
Audit the process and cost benefits derived.
May 27, 2009: Request approved 9-0
- 2009-114 **Department of General Services Procurement Process (Furutani, et al.)**
Audit the strategic sourcing procurement and contracting practices and the effects these practices have on California small businesses and Disabled Veterans Business Enterprises.
August 19, 2009: Request approved 14-0
- 2009-116R **San Dieguito Community Facilities Service District (Garrick)**
Audit the use of the San Dieguito Community Facilities Service District's funds.
August 19, 2009: Request approved 12-0
- 2009-117 **California Air Resources Board – AB 32 Costs (Dutton)**
Audit would have focused on the methods used by the Board to identify and allocate costs to develop its proposed fee schedule.
August 19, 2009: Request failed 6-6
- 2009-118 **Department of Developmental Services – Regional Centers (De La Torre, et al.)**
Audit the regional centers' internal controls over contract awards and its conflict-of-interest and public records policy.
August 19, 2009: Request approved 12-1
- 2009-119 **Federal Recovery Act Funds – Early Reviews and Testing (Huber, et al.)**
Audit California's preparedness to receive federal Recovery Act funds.
July 1, 2009: Request approved 11-0

2010 Hearing Results Summary

- 2010-101 **Beverage Container Recycling Fund (Sen. Wolk & Asm. Skinner)**
Audit the Fund within the Department of Conservation.
February 17 hearing: Request approved with priority 11-0
- 2010-102 **Administrative Office of the Courts, California Court Case Management System (Asm. Bonnie Lowenthal)**
Audit the California Court Case Management System within the Administrative Office of the Courts and evaluate the cost of the system.
February 17 hearing: Request approved 10-1
- 2010-103 **Every Woman Counts Program (Asm. Evans & Nava)**
Audit the budget and efficiency of the Program.
February 17 hearing: Request approved with priority 10-0
- 2010-104 **School Nutrition at Charter Schools (Asm. Brownley)**
Audit child nutrition in charter schools.
February 17 hearing: Request approved 8-3
- 2010-105 **University of California (Sen. Yee)**
Audit the funding streams, distribution, and use of resources.
February 17 hearing: Request approved 11-0
- 2010-106 **Dymally-Alatorre Bilingual Services Act (Asm. Furutani)**
Audit will examine state and local compliance with the Act in meeting the needs of limited English speaking residents in obtaining government services.
February 17 hearing: Request approved 8-3
- 2010-108 **Department of Public Health, Citation Penalty Accounts (Asm. Feuer, et al.)**
Audit the Citation Penalty Accounts to determine their fiscal stability and management.
February 17 hearing: Request approved with priority 12-0
- 2010-111 **El Dorado Irrigation District (Asm. Gaines)**
Audit would have examined rate increases and operating costs within El Dorado Irrigation District.
February 17 hearing: Request failed 3-7
- 2010-112 **Unemployment Insurance Program (Asm. Solorio)**
Audit will examine the administration of the Program to assure that unemployment insurance services are being provided in the best way possible.
February 17 hearing: Request approved 10-0

- 2010-116 **Department of Mental Health, Sex Offender Commitment Program (Asm. Fletcher and Nielsen)**
 Audit the adequacy and effectiveness of Mental Health's screening and evaluation of sex offenders.
May 5 hearing: Request approved 13-0
- 2010-117 **Department of Water Resources, General Obligation Bond Funds (Asm. Huber and Buchanan and Sen. Wolk)**
 Audit will focus on Water Resources' tracking and management of bond funds during the last five years.
May 5 hearing: Request approved 13-0
- 2010-118 **California Prison Industry Authority (Sen. Florez)**
 Audit the products, program goals, objectives, and outcomes.
May 5 hearing: Request approved 12-0
- 2010-119 **Commission on Teacher Credentialing, Division of Professional Practices (Sen. Steinberg)**
 Audit the educator discipline process and the timelines of the Commission's review of allegations of misconduct against credential holders.
May 5 hearing: Request approved 13-0
- 2010-121 **Department of Social Services, Foster Family Home and Small Family Home Insurance Fund (Asm. Hill)**
 Audit will focus on the administration of the insurance fund and the feasibility of expanding the fund's coverage to Foster Family Agencies and the Kinship Guardianship Assistance Payment program.
August 4 hearing: Request approved 14-0
- 2010-122 **California Department of Transportation, Capital Outlay Support Program (Sen. Simitian and Asm. Buchanan)**
 Audit to examine the performance, management, efficiency, and budget of the program.
August 4 hearing: Request approved with priority 13-0
- 2010-123 **California Housing Finance Agency (Sen. Steinberg)**
 Audit the decisions and actions that contributed to its current fiscal condition and to examine its future financial solvency.
August 4 hearing: Request approved with priority 14-0
- 2010-124 **California Department of Corrections and Rehabilitation, Correctional Offender Management Profiling for Alternative Sanctions Program (Sen. Padilla)**
 Audit the implementation and use of the Correctional Offender Management Profiling for Alternative Sanctions Program.
August 4 hearing: Request approved 13-0

- 2010-125 **California State Lands Commission (Sen. Cogdill)**
Audit the management of leases controlled by the Commission.
August 4 hearing: Request approved 11-1
- 2010-126 **California Department of Transportation, Project Resourcing and Schedule Management System (Asm. Buchanan)**
Audit would have determined if the PRSM system would be completed timely, have the adequate capacity, and provide project management data to justify capital outlay support expenses.
August 4 hearing: Request failed 7-6

AUDITS RELEASED IN 2009

Reports are available online at www.bsa.ca.gov

NOTE: DISCRETIONARY (JLAC) AUDITS AUTHORIZED AND ISSUED IN 2009 ARE ITALICIZED.

January 9 - 2008-039
Fi\$Cal Status Letter

January 12 – 2008-006
State of California: Treasurer's Cash Count as of June 30, 2008

January 20 – 2008-041
Recommendations Not Fully Implemented After One Year: The Omnibus Audit Accountability Act of 2006

January 22 – I2008-0805
California Prison Health Care Services: Improper Contracting Decisions and Poor Internal Controls

January 29 – 2008-501
California Prison Health Care Services: It Lacks Accurate Data and Does Not Always Comply With State and Court-Ordered Requirements When Acquiring Information Technology Goods and Services

February 3 – 2008-603
High Risk: The California State Auditor Has Designated the State Budget as a High-Risk Area

February 24 – 2009-406
Implementation of State Auditor's Recommendations: Audits Released in January 2007 Through December 2008

February 26 – 2008-604
High-Risk Update—Maintaining and Improving Infrastructure: State Agencies Have Established Controls That, if Followed, Should Provide Reasonable Assurance That Infrastructure Bond Proceeds Are Used as Intended

March 19 – 2008-605
High-Risk Update—Human Resources Management: A Significant Number of State Employees Are Beginning to Retire, While Certain Departments That Provide Critical State Services Lack Workforce and Succession Plans

March 24 – 2008-001

State of California: Financial Report Year Ended June 30, 2008

March 26 – 2008-502

Management of Surplus Property Follow-Up Review: The State Has Made Limited Progress, but Fundamental Concerns Remain

April 22 – 2009-611

California's System for Administering Federal Recovery Act Funds

April 23 – 2008-107

Temporary Workers in Local Government: Although Some Workers Have Limited Opportunities, Most Have Reasonable Access to Permanent Employment and Earn the Same Wage Rates as Permanent Workers

April 28 – 2009-1

Investigations of Improper Activities by State Employees: July 2008 Through December 2008

April 20 – 2008-607

High-Risk Update—Other Post Employment Benefits: Significant Financial Risk Exists if the State Does Not Actively Manage the Costs of State Retirees' Health and Dental Benefits

May 21 – 2009-042

Children's Hospital Program: Procedures for Awarding Grants Are Adequate, but Some Improvement Is Needed in Managing Grants and Complying With the Governor's Bond Accountability Program

May 27 – 2008-002

State of California: Internal Control and State and Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2008

June 16 – 2008-602

High Risk: The California State Auditor Has Designated Electricity Production and Delivery as a High-Risk Issue

June 24 – 2009-611.1

High-Risk Update—California's System for Administering Federal Recovery Act Funds: State Departments Are Preparing to Administer Aspects of Recovery Act Funding, but Correction of Control Weaknesses and Prompt Federal and State Guidance Are Needed

June 25 – 2008-601

High Risk: The California State Auditor's Updated Assessment of High-Risk Issues the State and Select State Agencies Face

June 25 – 2009-005

State of California: Treasurer's Cash Count as of December 31, 2008

July 21 – 2009-030

State Bar of California: It Can Do More to Manage Its Disciplinary System and Probation Processes Effectively and to Control Costs

July 30 – 2009-008

State of California: Statement of Securities Accountability of the State Treasurer's Office as of December 31, 2008

September 8 – 2009-107.1

California Department of Corrections and Rehabilitation: It Fails to Track and Use Data That Would Allow It to More Effectively Monitor and Manage Its Operations

September 10 – 2009-103

Departments of Health Care Services and Public Health: Their Actions Reveal Flaws in the State's Oversight of the California Constitution's Implied Civil Service Mandate and in the Departments' Contracting for Information Technology Services

October 15 – 2009-501

State Mandates: Operational and Structural Changes Have Yielded Limited Improvements in Expediting Processes and in Controlling Costs and Liabilities

October 20 – 2009-608

High Risk Update—State Overtime Costs: A Variety of Factors Resulted in Significant Overtime Costs at the Departments of Mental Health and Developmental Services

October 27 – 2009-108

California Department of Veterans Affairs: Although It Has Begun to Increase Its Outreach Efforts and to Coordinate With Other Entities, It Needs to Improve Its Strategic Planning Process, and Its CalVet Home Loan Program Is Not Designed to Address the Housing Needs of Some Veterans

October 29-2009-039

Fi\$Cal Status Letter

November 3 – 2009-101

Department of Social Services: For the CalWORKs and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts

November 10 -2009-037

Department of Housing and Community Development: Housing Bond Funds Generally Have Been Awarded Promptly and in Compliance With Law, but Monitoring Continues to Need Improvement

November 17- I2009-0702

Department of Corrections and Rehabilitation: Its Poor Internal Controls Allowed Facilities to Overpay Employees for Inmate Supervision

November 23 – 2009-002.1a

Federal Compliance Interim Reporting (Recovery Act Programs): Fiscal Year 2008-09 Single Audit: Developmental Services

November 23 2009-002.1b

Federal Compliance Interim Reporting (Recovery Act Programs): Fiscal Year 2008-09 Single Audit: Corrections and Rehabilitation

November 24 -2009-043

Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun: It Needs to Develop Procedures and Controls Over Its Operations and Finances to Ensure That It Complies With Legal Requirements

December 1 – 2009-119.1

California Energy Resources Conservation and Development Commission: It Is Not Fully Prepared to Award and Monitor Millions in Recovery Act Funds and Lacks Controls to Prevent Their Misuse

December 3 –I2007-1158

California State University, Chancellor's Office: Failure to Follow Reimbursement Policies Resulted in Improper and Wasteful Expenditures

December 10 -2009-701

Recommendations for Legislative Consideration From Audits Issued During 2008 and 2009

December 21 – 2009-002.2

Interim Reporting: Fiscal Year 2008-09 Single Audit

AUDITS RELEASED IN 2010
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January 7 –2009-039.1

Fi\$Cal Status Letter

Implementation of State Auditor's Recommendations: Audits Released in January 2004 Through December 2005

January 14 – 2009-041

Recommendations Not Fully Implemented After One Year: The Omnibus Audit Accountability Act of 2006

January 20 -2009-006

State of California: Treasurer's Cash Count as of June 30, 2009

January 26 – 2009-002.3

Interim Reporting: Fiscal Year 2008-09 Single Audit

January 28 - 2009-032

California's Postsecondary Educational Institutions: More Complete Processes Are Needed to Comply With Clery Act Crime Disclosure Requirements

February 2 – 2009-119.2

Department of Community Services and Development: Delays by Federal and State Agencies Have Stalled the Weatherization Program and Improvements Are Needed to Properly Administer Recovery Act Funds

February 16 2010-406

Implementation of State Auditor's Recommendations: Audits Released in January 2008 Through December 2009

February 25 – 2009-119.3

Department of Housing and Community Development: Despite Being Mostly Prepared, It Must Take Additional Steps to Better Ensure Proper Implementation of the Recovery Act's Homelessness Prevention Program

March 10 - 2009-001

State of California: Financial Report Year Ended June 30, 2009

March 30 – 2009-002

State of California: Internal Control and State and Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2009

April 29 – 2009-106

High-Speed Rail Authority: It Risks Delays or an Incomplete System Because of Inadequate Planning, Weak Oversight, and Lax Contract Management

May 4 – 2009-119.4

California Emergency Management Agency: Despite Receiving \$136 Million in Recovery Act Funds in June 2009, It Only Recently Began Awarding These Funds and Lacks Plans to Monitor Their Use

May 18 – 2009-107.2

California Department of Corrections and Rehabilitation: Inmates Sentenced Under the Three Strikes Law and a Small Number of Inmates Receiving Specialty Health Care Represent Significant Costs

May 27 – 2009-112

Department of Health Care Services: It Needs to Streamline Medi-Cal Treatment Authorizations and Respond to Authorization Requests Within Legal Time Limits

June 15 – 2009-116

San Dieguito Union High School District: Its Expenditures for Community Facilities District 94-2 Were Generally Appropriate, but It Did Not Fully Disclose Some of Its Financial Issues

June 17 -2010-108

Department of Public Health: It Reported Inaccurate Financial Information and Can Likely Increase Revenues for the State and Federal Health Facilities Citation Penalties Accounts

June 22 - 2010-101

Department of Resources Recycling and Recovery: Deficiencies in Forecasting and Ineffective Management Have Hindered the Beverage Container Recycling Program

June 29 – I2010-1

Investigations of Improper Activities by State Employees: Misuse of State Time and Resources, Improper Gifts, Inadequate Administrative Controls, and Other Violations of State Law January 2009 Through December 2009

July 8- 2009-114

Department of General Services: It No Longer Strategically Sources Contracts and Has Not Assessed Their Impact on Small Businesses and Disabled Veteran Business Enterprises

July 13 – 2010-008

*State of California: Statement of Securities Accountability of the State Treasurer's Office
December 31, 2009*

July 21 – 2010-103R

Department of Public Health: It Faces Significant Fiscal Challenges and Lacks Transparency in Its Administration of the Every Woman Counts Program

August 10 -2010-401

Data Reliability: State Agencies' Computer-Generated Data Varied in Their Completeness and Accuracy

August 24 – 2010-005

State of California: Treasurer's Cash Count as of December 31, 2009

August 24 – 2009-118

Department of Developmental Services: A More Uniform and Transparent Procurement and Rate-Setting Process Would Improve the Cost-Effectiveness of Regional Centers

October 21 - 2010-104

California's Charter Schools: Some Are Providing Meals to Students, but a Lack of Reliable Data Prevents the California Department of Education From Determining the Number of Students Eligible for or Participating in Certain Federal Meal Programs

November 18 – 2010-106

Dymally-Alatorre Bilingual Services Act: State Agencies Do Not Fully Comply With the Act, and Local Governments Could Do More to Address Their Clients' Needs

RULES OF THE JOINT LEGISLATIVE AUDIT COMMITTEE

Except as otherwise provided in the Joint Rules of the Senate and Assembly applicable to the 2009-2010 Regular Session, these committee rules will govern the Joint Legislative Audit Committee during the 2009-2010 Legislative Session:

ESTABLISHMENT

- (a) The Joint Legislative Audit Committee is created pursuant to the Legislature's rulemaking authority under the California Constitution, Government Code Section 10501, and Rule 37.3 of the Joint Rules of the Senate and Assembly.
- (b) The Committee is of a continuing existence and may meet, act, and conduct its business at any place within the state, during the sessions of the Legislature or any recess thereof, and in the interim period between sessions.
- (c) The Committee is charged with establishing priorities and assigning audits for the State Auditor, ascertaining facts through investigations, reviewing reports and taking actions thereon, and making reports and recommendations to the Legislature regarding the revenues and expenditures of the State, its departments, subdivisions, and agencies.
- (d) The provisions of Rule 36 of the Joint Rules of the Senate and Assembly relating to investigating committees apply to the Committee, as well as other duties and responsibilities prescribed in the Joint Rules of the Senate and Assembly, and all powers conferred upon committees by Article IV, Section 11 of the Constitution of the State of California.

MEMBERSHIP

- (e) The Committee shall consist of seven members of the Senate and seven members of the Assembly selected in the manner provided for in the Joint Rules of the Senate and Assembly.
- (f) Vacancies occurring between general sessions of the Legislature shall be filled in a manner provided for in the Joint Rules of the Senate and Assembly.

OFFICERS

- (g) The Officers of the Committee shall be a Chair and a Vice Chair.
- (h) The Chair of the Committee shall be elected by a vote of the Committee.

- (i) The Chair shall preside at meetings when present except when the committee is considering a request of which he or she is the requester or the lead requester. Whenever the Chair is not presiding, the Vice Chair shall assume the duties of the Chair. In the absence of both, a member designated by the Chair shall preside, subject to approval of the Assembly Speaker and Senate Rules Committee.

AUDIT REQUESTS

- (j) Any member of the Legislature may submit requests for audits to the Committee for consideration.
- (k) Upon receipt of an audit request from a member of the Legislature, the Chair shall review the request and shall acknowledge receipt of the request. The Chair may make recommendations to the requester regarding modification of the request to ensure that the request is appropriate for the purview of the Committee and State Auditor.
- (l) Unless the requesting member withdraws the audit request, the Chair shall submit the request, including any modifications agreed to by the member, to the State Auditor for the purpose of determining the feasibility, scope, and cost of performing the proposed audit.
- (m) The State Auditor shall prepare an analysis of the audit request, including the feasibility, scope, and cost of the audit and transmit the analysis to the Chair. The Chair shall distribute the analysis to the committee members. Neither the Chair nor any member of the committee shall disclose an analysis to the public until such time as the Committee has noticed and reviewed the request in an open meeting of the Committee.
- (n) At the time of hearing, an audit request may only be amended if the amendment does not substantially effect the feasibility, scope or cost of the proposed audit. Should a requester wish to substantially amend a request, the requester or Chair may ask the Committee to hold the request until the next committee hearing.
- (o) No action shall be taken on an audit request until such time as the Committee has reviewed the request and the State Auditor's analysis in an open meeting of the Committee.

AUDITS REQUESTS RECEIVED DURING INTERIM OR RECESS

- (p) Notwithstanding rule (o), an audit request of an urgent nature received during interim or recess may be approved with the concurrence of the Chair and Vice Chair, provided that the audit's cost shall not exceed \$75,000 and that the audit shall not commence until five working days after the Committee members have been notified in writing of the audit's approval.
 - a. Audit requests in excess of \$75,000 received during interim require approval through an open meeting of the Committee as described in rule (o).

- b. If any Committee member objects to an audit request approved pursuant to this provision within the five working days, the audit shall be placed on hold until the next regular open meeting of the Committee.

MEETINGS

- (q) The Committee shall meet upon call of the Chair.
- (r) Notice of hearings and the subject matter being heard shall be given in the Daily File.
- (s) The Chair shall set the hearings of audit requests and arrange the calendar for Committee hearings. Notice of hearing of audit requests shall be given the requester and such other appropriate persons requiring notice. Audit requests will not be considered in the absence of the requester without his or her consent; however, audit requests may be presented by the requester's representative authorized in writing.
- (t) The Chair shall direct the order of presentation of the arguments for and against matters for consideration by the Committee, and shall permit questions to be asked by the various members of the Committee in an orderly fashion and in keeping with proper decorum.
- (u) Committees or subcommittees, by a majority vote of such committee, may meet in executive session only as provided in Section 9029 of the Government Code and Article IV, Section 7(c) of the Constitution of the State of California. Otherwise, all meetings shall be open and public.
- (v) The Committee Secretary shall keep a record of the hearings and actions taken by the Committee. Any audit request approved by the Committee shall be forwarded to the State Auditor as a Committee request.

QUORUM AND VOTING

- (w) Four members from each house constitute a quorum and the number of votes necessary to take action on any matter.

COMMITTEE ACTIONS

- (x) The Committee shall consider each request as analyzed by the State Auditor and either:
 - (1) Approve the request;
 - (2) Deny the request;
 - (3) Retain the request for future consideration; or,
 - (4) Refer the request to another agency, if another agency is the more appropriate venue.
- (y) For all approved audits, the Committee shall set priorities for the State Auditor considering the extent that resources are available. To assist the Committee in ranking and prioritizing audits, the State Auditor shall each month provide the Chair with a schedule of available resources for audits throughout the fiscal year.

- (z) The State Auditor shall conduct all approved audits pursuant to Government Code Section 8546.1 to the extent that funding is available and as prioritized by the Committee. The State Auditor shall release the completed audit report to the Governor, Legislature, members of the Joint Legislative Audit Committee, and the requester.
- (aa) Any Committee member may request a public hearing to discuss the State Auditor's completed report. The Chair may summon the official whose office is the subject of the audit, the requester, the State Auditor, or any other person to appear at the hearing and provide testimony.
- (bb) An audit request retained by the Committee and not acted upon before the end of the regular two-year session of the Legislature shall automatically be deemed denied. The Chair shall contact each requester who remains a member of the Legislature and whose audit has been thus denied and notify him or her that the audit request can be resubmitted to the Committee during the next regular session.
- (cc) Further consideration of an audit request that has been approved of or defeated by the committee shall be by reconsideration only as follows:
 - (1) A motion to reconsider a vote by which an audit request is approved shall be in order and shall be voted upon at the same meeting. If such a motion is carried by a vote of four members from each house, the audit request may be considered at that meeting, provided the requester is present.
 - (2) A motion to reconsider a vote by which an audit request that has been defeated shall be in order and shall be voted upon at the same meeting. If such a motion is carried by a vote of four members from each house, the audit request for which reconsideration has been granted pursuant to this paragraph, shall not be heard again until a subsequent meeting of the Committee.
- (dd) In addition to Committee hearings pursuant to rule (bb), the Chair may also schedule hearings to review an auditee's response to issues raised in an earlier audit.

SUBCOMMITTEES

- (ee) The Chair, with the concurrence of the Senate Rules Committee and the Speaker of the Assembly, may appoint from the members of the Committee, subcommittees of one or more members to consider and recommend to the full Committee action on any study, inquiry investigation, or hearing which the Committee itself has authority to undertake or hold. The Chair may assign and reassign members of, and subject matters to, the various subcommittees. The recommendation of a subcommittee may be accepted by the affirmative vote of at least four members from each house.

LEGISLATION

- (ff) The Committee shall monitor legislation affecting the funding or workload of the State Auditor or Joint Legislative Audit Committee and testify as needed. The Chair or his or her

representative may also participate in fiscal and policy hearings regarding the State Auditor's funding and operations.

- (gg) Pursuant to Joint Rules 37.4 and 37.5, the Committee shall review all bills or resolutions assigning a study to the Committee or State Auditor and request an appropriation to fund the audit, waive this requirement as appropriate, and/or bring the issue to the attention of the standing committee with jurisdiction over the legislation.

SUSPENSION OF RULES

- (hh) Except as otherwise provided in the rules, any provision of these committee rules may be suspended by a minimum of four Assembly members and four Senate members.

OTHER RULES

- (ii) In all cases not provided for by this rule, the Joint Rules, or by statute, the authority shall be the latest edition of Mason's Manual.

Adopted by the Joint Legislative Audit Committee
March 11, 2009